

## Qatar Gas Transport Company/Nakilat (QGTS)

<b>Recommendation</b>	<b>ACCUMULATE</b>	<b>Risk Rating</b>	<b>R-3</b>
<b>Share Price</b>	<b>QR3.755</b>	<b>Target Price</b>	<b>QR3.900</b>
<b>Implied Upside</b>	<b>3.9%</b>	<b>Old Target Price</b>	<b>QR3.500</b>

### Upcoming LNG Ship Owner Tender Decision Could Steer Growth; Raise TP

**We raise our price target on QGTS from QR3.500 to QR3.900 but lower our recommendation from Outperform to Accumulate.** 2022 could be a watershed year for Nakilat if it is chosen as one of the ship owners involved in Qatar's massive LNG expansion program. We remind investors that QatarEnergy (formerly Qatar Petroleum) is expanding Qatar's LNG capacity from 77 MTPA to 110 MTPA (first production: 4Q2025) and further to 126 MTPA a couple of years later. To cater to this expansion, back in April/June 2020, QatarEnergy signed major LNG shipbuilding capacity agreements with Chinese and South Korean companies to build 100+ LNG vessels worth +QR70bn. Furthermore, in 1Q2021, QatarEnergy issued an invitation to tender package to ship owners for the chartering of LNG carriers in relation to this project; QatarEnergy intends to assign selected ship owners from this tender to the shipyards' construction slots reserved in China and South Korea. Already, QatarEnergy has moved ahead with the construction of ten LNG ships (four in China/six in South Korea). **Given typical lead-times for LNG ship construction, we should expect to hear about final ship owner selections by late 2022/1H2023. Considering Nakilat's strategic importance and impressive track record in Qatar's existing LNG shipping value chain, we expect QGTS to be a major beneficiary of this expansion. We also estimate that every incremental vessel (@100%) adds roughly 1% to QGTS' target price and an award of 20-30 ships could significantly affect our price target and estimates. We remain bullish on Nakilat and consider it as the best avenue for equity investors to participate in the LT growth expected in Qatar's LNG sector.** Irrespective of the volatility of the LNG shipping market, Nakilat's business should remain relatively unaffected given the LT nature of its charters. QGTS' fleet continues to provide the company with stable, contractually sustainable cash flow that allow for a healthy residual income stream for equity investors after providing for debt service. Moreover, the 40-year life of QGTS' vessels vs. maximum debt life of 25 years (last debt maturing 2033), continues to create refinancing opportunities to increase fleet size. In the near-term, addition of 4 LNG vessels (one added in early Jan. 2021 followed by one each in Oct. 2021 and Jan. 2022) via Global Shipping, should help 2022 earnings growth.

#### Highlights

- **We project a 4.7% EPS growth for 2022 followed by a 2.8% increase in 2023.** Our 2022 net income forecast of QR1.42bn is driven by higher JV income as 2022 is the first year of near full-year contribution from the 60%-owned Global Shipping JV, along with continuing growth from the shipping JVs and the shipyard. We also project moderately lower finance charges despite higher rates as a majority (~70%) of QGTS' debt interest costs (including debt held in JVs) are fixed/hedged and Nakilat will continue to lower its debt through principal repayments. For next year, similar factors drive our 2.8% growth in earnings to QR1.46bn.
- **Declining finance charges should continue to drive returns, while QGTS' in-house ship management program could lead to further upside.** (1) Over 2021-33, QGTS' EBIT/EBITDA remain flattish given its secure and steady wholly-owned LNG shipping business model. However, deleveraging provides a major impetus to earnings, with finance charges down with a CAGR of 23.5% and contributing a whopping 68% to earnings growth over the period. We note JV income also makes up 34% of the earnings growth over 2021-33 with interest expense decline again the primary contributor to JV income growth as JVs also deleverage over our forecast horizon. (2) QGTS now manages 25 LNG vessels (21 wholly-owned), a FSRU and four LPG carriers. So far, this has played a major role in expanding QGTS' EBITDA margin from 74.6% in 2017 (when this program started) to 77.6% in 2021 and overall G&A has fallen 30.3% from 2018 to 2020. We could see upside to our margin assumptions when QGTS transitions the remaining eight 100%-owned LNG vessels in-house.
- **High leverage but mostly secured by watertight charter agreements; we do not foresee any challenges in debt servicing/repayments.** Nakilat has QR19.8bn in debt (95% of its market cap). QGTS made QR1.1bn in principle repayments in 2021 (debt fell 5.5%) and we expect another QR1.1bn this year. Two major bank-loan bullet payments, totaling ~QR10bn, are due in 2025 but we expect QGTS to refinance most of this amount. We model principle repayments + finance charges to average QR2.2bn over 2021-33, which is easily covered by OCF (average QR2.7bn over 2021-33) and FCF before finance charges (2021-33 average QR3.0bn); we continue to assume QGTS's entire debt is paid off by 2033. QGTS' high leverage remains manageable as debt is mostly secured by watertight charter agreements for its existing fleet. Given ~\$190-\$200mn capex for each additional LNG ship, if we assume an increase of 20 vessels related to the North Field expansion, QGTS will have to take on new debt of ~QR11bn (at 80% D/E). While this would imply significant new leverage, this debt would also likely be secured by solid charters and hence, not a cause for concern.

#### Catalysts

- **We should find out whether QGTS wins a piece of the LNG expansion contract later this year/in 1H2023.**

#### Recommendation, Valuation and Risks

- **Recommendation & valuation: Our 1-Year target is QR3.900 and we lower our rating from Outperform to Accumulate.** The stock is up 38% (QE Index up 33%) since we [upgraded](#) it to an Outperform.
- **Risks: (1) We expect QGTS shares to come under pressure in the unlikely scenario that the company does not secure a meaningful portion of the new LNG shipping contracts.** (2) There is a risk existing LNG contracts are renegotiated – we do not rule out potential contract restructuring, with QGTS accepting slightly lower charter rates in return for increasing their lengths from 25 to 35+ years. However, bargaining power rests with Qatargas and Nakilat may have no choice but to accept worse contract terms. However, the likelihood of this is low given investment grade-rated bonds and contagion in other GRE-related bond issues.

#### Key Financial Data and Estimates

	FY2021	FY2022e	FY2023e	FY2024e
EPS (QR)	0.24	0.26	0.26	0.29
P/E (x)	15.4	14.7	14.3	12.9
DPS (QR)	0.12	0.13	0.13	0.14
Dividend Yield	3.2%	3.5%	3.5%	3.7%

Source: Company data, QNB FS estimates; Note: All data based on current number of shares

#### Key Data

Current Market Price (QR)	3.755
Current Dividend Yield (%)	3.2
Bloomberg Ticker	QGTS QD
ADR/GDR Ticker	N/A
Reuters Ticker	QGTS.QA
ISIN	QA000A0KD6L1
Sector*	Transportation
52wk High/52wk Low (QR)	3.808/2.993
3-m Average Volume ('mn)	4.3
Mkt. Cap. (\$ bn/QR bn)	5.7/20.8
EV (\$ bn/QR bn)	10.2/37.2
Shares Outstanding (mn)	5,540.0
FO Limit* (%)	49.0
Current Institutional FO* (%)	13.9
1-Year Total Return (%)	20.7
Fiscal Year End	December 31

Source: Bloomberg (as of March 3, 2022), \*Qatar Exchange (as of March 3, 2022); Note: FO is foreign ownership

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

## 4Q2021/FY2021 Review: In-Line Results & QR0.12 DPS

Nakilat posts in-line 4Q2021 and 2021 results/DPS. QGTS' 4Q2021 net income of QR350.5mn rises 34.4% YoY but declines 4.7% QoQ and is in-line with our estimate of QR344.4mn (difference of 1.8%).

- Revenue from wholly-owned ships of QR905.4mn (2.2% YoY, 2.0% QoQ) was in-line with our estimate of QR886.6mn (variation of 2.1%).
- Adjusted revenue (wholly-owned ships + marine & agency services + JV income) of QR1.07bn (12.5% YoY, 2.9% QoQ) was also in-line-to-moderately above with our estimate of QR1.02bn (divergence of 4.7%) and was driven by the strength in JV income and uptick in wholly-owned ship revenue.
- EBITDA of QR690.2mn (0.1% YoY, -0.8% QoQ) was barely 0.3% behind our forecast of QR692.4mn given modest deterioration of cash gross margins (77.5% vs. our model of 79.3%); EBITDA performance was aided by marine & agency services but was offset by G&A expenses of QR25.4mn (42.0% YoY, -7.0% QoQ/12.5% ahead of our estimate of QR22.6mn)
- Adjusted EBITDA of QR838.8mn (12.5% YoY, 0.5% QoQ) was 3.1% above our estimate of QR813.4mn.
- JV income of QR148.6mn (166.0% YoY, 7.3% QoQ) was 22.8% above our estimate of QR121.1mn. We note that JV income was depressed in 4Q2020 due to weak shipyard performance and one-time write-down of legacy costs.
- Finally finance costs came in at QR258.9mn (-1.7% YoY, -0.6% QoQ), and was in-line with our estimate of QR259.8mn (difference of -0.3%).

2021 profitability jumps 16.7% with record-high EPS of QR0.24; DPS of QR0.12 increases 9% and is in-line with our model. FY2021 earnings were bang in-line with our estimate (0.5% divergence). Overall, we find these results encouraging and consistent with the overall progress we see QGTS making on the operational/costs front.

### QNB FS Estimates and Comparisons

Income Statement												
In QR mn Except Otherwise Noted	4Q2020	3Q2021	4Q2021	4Q2021e	A Vs. E	YoY	QoQ	2020	2021	2021e	A Vs. E	YoY
Revenue from Wholly-Owned Vessels	885.545	887.474	905.406	886.564	2.1%	2.2%	2.0%	3,517.567	3,541.032	3,522.190	0.5%	0.7%
Operating Costs	(186.251)	(176.205)	(203.840)	(183.762)	10.9%	9.4%	15.7%	(733.561)	(746.303)	(726.225)	2.8%	1.7%
<b>Gross Profit</b>	<b>699.294</b>	<b>711.269</b>	<b>701.566</b>	<b>702.801</b>	<b>-0.2%</b>	<b>0.3%</b>	<b>-1.4%</b>	<b>2,784.006</b>	<b>2,794.729</b>	<b>2,795.964</b>	<b>0.0%</b>	<b>0.4%</b>
Gross Margin	79.0%	80.1%	77.5%	79.3%				79.1%	78.9%	79.4%		
Income from Marine and Agency Services	8.143	12.083	14.016	12.163	15.2%	72.1%	16.0%	46.307	49.086	47.233	3.9%	6.0%
General and Administrative Expenses	(17.881)	(27.307)	(25.396)	(22.578)	12.5%	42.0%	-7.0%	(93.448)	(97.318)	(94.500)	3.0%	4.1%
<b>EBITDA</b>	<b>689.556</b>	<b>696.045</b>	<b>690.186</b>	<b>692.386</b>	<b>-0.3%</b>	<b>0.1%</b>	<b>-0.8%</b>	<b>2,736.865</b>	<b>2,746.497</b>	<b>2,748.697</b>	<b>-0.1%</b>	<b>0.4%</b>
Depreciation & Amortization	(223.172)	(223.011)	(232.668)	(225.280)	3.3%	4.3%	4.3%	(891.491)	(895.351)	(887.963)	0.8%	0.4%
<b>EBIT</b>	<b>466.384</b>	<b>473.034</b>	<b>457.518</b>	<b>467.106</b>	<b>-2.1%</b>	<b>-1.9%</b>	<b>-3.3%</b>	<b>1,845.374</b>	<b>1,851.146</b>	<b>1,860.734</b>	<b>-0.5%</b>	<b>0.3%</b>
EBIT Margin	52.7%	53.3%	50.5%	52.7%				52.5%	52.3%	52.8%	-1.0%	-0.4%
Share of Operating Profits from Joint Ventures	55.882	138.563	148.635	121.056	22.8%	166.0%	7.3%	390.142	493.560	465.981	5.9%	26.5%
Finance Costs	(263.385)	(260.415)	(258.924)	(259.821)	-0.3%	-1.7%	-0.6%	(1,137.228)	(1,048.767)	(1,049.664)	-0.1%	-7.8%
Interest, Dividend income & Profit from Islamic Banks	16.328	12.511	16.761	12.237	37.0%	2.7%	34.0%	62.568	58.285	53.761	8.4%	-6.8%
Vessel Sub-Chartering & Other Income	(14.480)	4.305	(13.358)	4.079	-427.5%	-7.7%	-410.3%	-	-	17.437		
<b>Profit Before Tax</b>	<b>260.729</b>	<b>367.998</b>	<b>350.632</b>	<b>344.657</b>	<b>1.7%</b>	<b>34.5%</b>	<b>-4.7%</b>	<b>1,160.856</b>	<b>1,354.224</b>	<b>1,348.249</b>	<b>0.4%</b>	<b>16.7%</b>
<b>Profit After Tax</b>	<b>260.729</b>	<b>367.998</b>	<b>350.632</b>	<b>344.657</b>	<b>1.7%</b>	<b>34.5%</b>	<b>-4.7%</b>	<b>1,160.856</b>	<b>1,354.224</b>	<b>1,348.249</b>	<b>0.4%</b>	<b>16.7%</b>
Minority Interest	0.012	(0.252)	(0.096)	(0.236)	-59.3%	-900.0%	-61.9%	(0.643)	(0.755)	(0.895)	-15.6%	17.4%
<b>Net Income to Equity</b>	<b>260.741</b>	<b>367.746</b>	<b>350.536</b>	<b>344.421</b>	<b>1.8%</b>	<b>34.4%</b>	<b>-4.7%</b>	<b>1,160.213</b>	<b>1,353.469</b>	<b>1,347.354</b>	<b>0.5%</b>	<b>16.7%</b>
<b>Net Profit Margin</b>	<b>29.4%</b>	<b>41.4%</b>	<b>38.7%</b>	<b>38.8%</b>				<b>33.0%</b>	<b>38.2%</b>	<b>38.3%</b>		
EPS (QR)	0.05	0.07	0.06	0.06	1.8%	34.4%	-4.7%	0.21	0.24	0.24	0.5%	16.7%
<b>Adjusted EBITDA</b>	<b>745.438</b>	<b>834.608</b>	<b>838.821</b>	<b>813.443</b>	<b>3.1%</b>	<b>12.5%</b>	<b>0.5%</b>	<b>3,127.007</b>	<b>3,240.057</b>	<b>3,214.679</b>	<b>0.8%</b>	<b>3.6%</b>

Adjusted Revenue	949.570	1,038.120	1,068.057	1,019.783	4.7%	12.5%	2.9%	3,954.016	4,083.678	4,035.404	1.2%	3.3%
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Particulars	4Q2020	3Q2021	4Q2021	4Q2021e	2020	2021	2021e
Adj. EBITDA Margin	78.5%	80.4%	78.5%	79.8%	79.1%	79.3%	79.7%
Gross Margin	79.0%	80.1%	77.5%	79.3%	79.1%	78.9%	79.4%
EBIT Margin	52.7%	53.3%	50.5%	52.7%	52.5%	52.3%	52.8%
G & A % of Sales	2.0%	3.1%	2.8%	2.5%	2.7%	2.7%	2.7%
Depreciation & Amortization % of Sales	25.2%	25.1%	25.7%	25.4%	25.3%	25.3%	25.2%
Minority Interest % of PAT	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%
QoQ Change in D&A	0.3%	1.0%	4.3%	1.0%			
QoQ Change in Finance Charges	-5.4%	-1.7%	-0.6%	-0.2%			
DPS (QR)					0.11	0.12	0.12

Source: Bloomberg, QNB FS Research

## Valuation and Key Ratios

### Growth Metrics

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033	CAGR 21-'33
<b>Growth Ratios (In %)</b>													
Revenue - Wholly Owned	0.7%	(0.4%)	0.2%	3.4%	11.1%	0.7%	0.2%	0.2%	(0.0%)	(0.0%)	0.0%	0.0%	0.0%
Revenue - Adjusted	2.0%	(6.1%)	1.8%	7.6%	4.6%	3.3%	1.2%	0.8%	1.1%	1.6%	0.7%	0.7%	0.9%
Gross Profit	0.1%	0.4%	1.1%	3.5%	12.8%	0.4%	0.1%	0.2%	(0.0%)	(0.0%)	0.0%	0.0%	0.0%
EBITDA	(1.1%)	0.5%	1.0%	3.9%	14.3%	0.4%	(0.0%)	0.1%	(0.0%)	(0.0%)	(0.0%)	(0.0%)	0.0%
EBITDA - Adjusted	1.1%	(7.2%)	3.1%	9.3%	5.9%	3.6%	1.3%	0.9%	1.3%	2.0%	0.8%	0.8%	1.1%
EBIT	(6.5%)	0.7%	2.2%	(2.3%)	22.1%	0.3%	(0.2%)	(0.0%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)
Income from JVs	11.1%	(38.7%)	16.9%	40.8%	(30.1%)	26.5%	8.7%	4.8%	8.0%	11.1%	3.4%	3.1%	5.5%
Finance Charges/Interest Expense	(0.9%)	(1.3%)	0.0%	(0.1%)	(2.9%)	(7.8%)	(1.8%)	(1.2%)	(11.2%)	(18.4%)	(22.0%)	(66.5%)	(23.5%)
EPS	(2.9%)	(11.3%)	5.3%	12.4%	15.8%	16.7%	4.7%	2.8%	10.7%	14.3%	4.6%	4.1%	6.2%
CFPS	(9.9%)	16.7%	(6.4%)	15.9%	79.3%	(27.2%)	46.0%	(25.8%)	6.7%	9.3%	3.4%	3.2%	4.6%
FCFPS	(4.9%)	22.0%	(22.1%)	10.9%	114.9%	(24.3%)	40.7%	(27.0%)	2.0%	15.3%	8.6%	3.3%	4.4%
DPS	(20.0%)	0.0%	0.0%	0.0%	10.0%	9.1%	8.3%	0.0%	7.7%	7.1%	0.0%	0.0%	4.3%

Source: Bloomberg, QNB FS Research; Note: Adjusted revenue includes wholly-owned revenue, income from marine & agency services and income from JVs, while Adjusted EBITDA includes income from JVs

### Peer Comparisons

Company	Mcap \$mn	5yr adj. Beta	P/E		EV/EBITDA		P/B		ROE		EBITDA Margin		Dividend Yield	
			2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
COSCO SHIPPING ENERGY TRAN-H	4,345	0.84	6.7	3.9	7.1	4.7	0.43	0.41	1.3%	7.4%	44.2%	59.6%	3.52	3.91
GASLOG PARTNERS LP	178	1.01	2.2	2.7	6.3	6.9	0.22	0.21	n.a.	n.a.	71.7%	69.4%	1.18	1.18
DYNAGAS LNG PARTNERS LP	104	0.80	4.0	3.8	8.0	8.0	n.a.	n.a.	n.a.	n.a.	69.8%	68.4%	n.a.	n.a.
SFL CORP LTD	1,288	1.02	10.9	10.5	9.9	9.2	1.31	1.22	13.4%	13.8%	63.7%	65.1%	7.87	8.86
GOLAR LNG LTD	1,994	1.06	20.9	24.8	14.0	14.5	1.07	1.02	7.4%	5.8%	73.2%	73.4%	n.a.	n.a.
TSAKOS ENERGY NAVIGATION LTD	175	1.24	4.8	3.6	5.3	4.9	n.a.	n.a.	n.a.	n.a.	53.4%	51.7%	2.32	n.a.
Peer Group Average		0.99	8.2	8.2	8.4	8.0	0.76	0.72	7.4%	9.0%	62.7%	64.6%	3.72	4.65
Peer Group Median		1.01	5.7	3.8	7.6	7.5	0.75	0.71	7.4%	7.4%	66.7%	66.7%	2.92	3.91

QATAR GAS TRANSPORT(NAKILAT)	5,695	0.87	14.7	14.3	10.7	10.2	2.08	1.85	15.1%	13.7%	79.4%	79.5%	3.46	3.46
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Source: Bloomberg, QNB FS Research

### Key Metrics

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033
<b>Growth Ratios (In %)</b>												
Revenue - Wholly Owned	0.7%	(0.4%)	0.2%	3.4%	11.1%	0.7%	0.2%	0.2%	(0.0%)	(0.0%)	0.0%	0.0%
Revenue - Adjusted	2.0%	(6.1%)	1.8%	7.6%	4.6%	3.3%	1.2%	0.8%	1.1%	1.6%	0.7%	0.7%
Gross Profit	0.1%	0.4%	1.1%	3.5%	12.8%	0.4%	0.1%	0.2%	(0.0%)	(0.0%)	0.0%	0.0%
EBITDA	(1.1%)	0.5%	1.0%	3.9%	14.3%	0.4%	(0.0%)	0.1%	(0.0%)	(0.0%)	(0.0%)	(0.0%)
EBITDA - Adjusted	1.1%	(7.2%)	3.1%	9.3%	5.9%	3.6%	1.3%	0.9%	1.3%	2.0%	0.8%	0.8%
EBIT	(6.5%)	0.7%	2.2%	(2.3%)	22.1%	0.3%	(0.2%)	(0.0%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)
Income from JVs	11.1%	(38.7%)	16.9%	40.8%	(30.1%)	26.5%	8.7%	4.8%	8.0%	11.1%	3.4%	3.1%
Finance Charges/Interest Expense	(0.9%)	(1.3%)	0.0%	(0.1%)	(2.9%)	(7.8%)	(1.8%)	(1.2%)	(11.2%)	(18.4%)	(22.0%)	(66.5%)
EPS	(2.9%)	(11.3%)	5.3%	12.4%	15.8%	16.7%	4.7%	2.8%	10.7%	14.3%	4.6%	4.1%
CFPS	(9.9%)	16.7%	(6.4%)	15.9%	79.3%	(27.2%)	46.0%	(25.8%)	6.7%	9.3%	3.4%	3.2%
FCFPS	(4.9%)	22.0%	(22.1%)	10.9%	114.9%	(24.3%)	40.7%	(27.0%)	2.0%	15.3%	8.6%	3.3%
DPS	(20.0%)	0.0%	0.0%	0.0%	10.0%	9.1%	8.3%	0.0%	7.7%	7.1%	0.0%	0.0%

### Operating Ratios (In %)

Gross Margin	76.6%	77.2%	77.8%	78.0%	79.1%	78.9%	78.9%	78.9%	78.9%	78.9%	78.9%	78.9%
EBITDA Margin	74.0%	74.6%	75.2%	75.6%	77.8%	77.6%	77.4%	77.4%	77.4%	77.4%	77.3%	77.2%
Adj. EBITDA Margin	76.8%	75.9%	76.9%	78.1%	79.1%	79.3%	79.4%	79.5%	79.6%	79.9%	80.5%	80.7%
EBIT Margin	49.0%	49.5%	50.5%	47.7%	52.5%	52.3%	52.1%	52.0%	51.9%	51.7%	51.2%	50.8%
Net Margin	31.1%	27.7%	29.1%	31.6%	33.0%	38.2%	39.9%	41.0%	45.4%	51.9%	69.0%	78.2%

### Finance Ratios

Net Debt-to-EBITDA	8.3	7.8	7.5	7.9	6.6	6.0	5.3	4.8	4.4	3.9	0.9	-1.2
Debt-Equity Ratio	4.1	3.5	2.9	3.1	3.0	2.3	1.9	1.6	1.2	0.9	0.2	0.0
Net Debt-Equity Ratio	3.6	3.0	2.5	2.8	2.5	1.9	1.4	1.2	1.0	0.7	0.1	-0.1
Debt-to-Capital	80.3%	77.7%	74.1%	75.6%	74.7%	69.4%	65.1%	60.8%	53.7%	47.7%	18.9%	0.0%
Interest Coverage	1.3	1.3	1.3	1.3	1.6	1.8	1.8	1.8	2.0	2.5	6.3	42.9
EBITDA Interest Coverage	1.9	1.9	2.0	2.0	2.4	2.6	2.7	2.7	3.0	3.7	9.5	65.2

### Return Ratios (In %)

ROIC	5.6%	5.7%	5.8%	5.4%	6.6%	6.5%	6.4%	6.4%	6.7%	6.8%	7.1%	7.1%
ROAE	19.7%	15.1%	13.9%	14.5%	16.6%	17.1%	15.1%	13.7%	13.5%	13.7%	12.3%	11.3%
ROAA	3.1%	2.8%	3.0%	3.2%	3.6%	4.2%	4.4%	4.6%	5.3%	6.3%	9.0%	10.2%

### Valuation

EV/EBITDA-Adjusted	14.0	14.7	14.1	13.4	12.4	11.4	10.7	10.2	9.8	9.1	6.4	4.7
EV/EBIT	26.4	25.5	24.6	26.2	21.0	20.0	19.0	18.4	17.8	17.0	12.7	9.6
P/E	21.8	24.6	23.3	20.8	17.9	15.4	14.7	14.3	12.9	11.3	8.5	7.5
P/CF	18.5	15.9	17.0	14.6	8.2	11.2	7.7	10.3	9.7	8.9	7.2	6.6
P/B	4.0	3.5	3.0	3.0	2.9	2.4	2.1	1.8	1.6	1.5	1.0	0.8
Dividend Yield	2.7%	2.7%	2.7%	2.7%	2.9%	3.2%	3.5%	3.5%	3.7%	4.0%	5.1%	5.3%
FCF Yield	5.2%	6.3%	4.9%	5.4%	11.7%	8.9%	12.5%	9.1%	9.3%	10.7%	13.4%	14.8%

Source: Bloomberg, QNB FS Research; Note: Adjusted revenue includes wholly-owned revenue, income from marine & agency services and income from JVs, while Adjusted EBITDA includes income from JVs

## Detailed Financial Statements

Income Statement (In QR mn)	FY2021	FY2022e	FY2023e	FY2024e
<b>Revenue – Wholly-Owned Ships</b>	<b>3,541</b>	<b>3,547</b>	<b>3,552</b>	<b>3,552</b>
Direct Costs	(746)	(750)	(751)	(751)
<b>Gross Profit</b>	<b>2,795</b>	<b>2,797</b>	<b>2,801</b>	<b>2,801</b>
Income from Marine & Agency Services	49	51	52	54
General and Administrative Expenses	(97)	(101)	(104)	(106)
<b>EBITDA</b>	<b>2,746</b>	<b>2,746</b>	<b>2,749</b>	<b>2,748</b>
Depreciation	(895)	(899)	(903)	(906)
<b>EBIT</b>	<b>1,851</b>	<b>1,847</b>	<b>1,846</b>	<b>1,842</b>
Share of Profits from Joint Ventures	494	536	562	607
Finance Costs	(1,049)	(1,030)	(1,018)	(904)
Interest, Dividend & Profit from Islamic Banks	58	64	67	69
Vessels Sub-Chartering & Other Income	0	0	0	0
<b>Profit Before Tax</b>	<b>1,354</b>	<b>1,418</b>	<b>1,458</b>	<b>1,614</b>
Income Tax Expense	0	0	0	0
<b>Profit After Tax</b>	<b>1,354</b>	<b>1,418</b>	<b>1,458</b>	<b>1,614</b>
Minority Interest	(1)	(1)	(1)	(1)
<b>Profit for Equity Shareholders</b>	<b>1,353</b>	<b>1,417</b>	<b>1,457</b>	<b>1,613</b>
<b>EPS (QR)</b>	<b>0.24</b>	<b>0.26</b>	<b>0.26</b>	<b>0.29</b>
<b>Adjusted Revenue</b>	<b>4,084</b>	<b>4,134</b>	<b>4,166</b>	<b>4,213</b>
<b>Adjusted EBITDA</b>	<b>3,240</b>	<b>3,283</b>	<b>3,311</b>	<b>3,355</b>

Source: Bloomberg, QNB FS Research

Balance Sheet (In QR mn)	FY2021	FY2022e	FY2023e	FY2024e
<b>Non-Current Assets</b>				
Property, Plant and Equipment	22,266	21,485	20,699	20,006
Investment in Joint Venture Companies	4,900	4,499	4,836	5,240
Loans to Joint Venture Companies	669	669	669	669
Equity Investments	163	163	163	163
<b>Total Non-Current Assets</b>	<b>27,998</b>	<b>26,815</b>	<b>26,366</b>	<b>26,078</b>
<b>Current Assets</b>				
Receivables, Inventories and Due from Joint Ventures	873	875	876	876
Cash and Bank Balances	3,439	4,252	4,233	2,578
<b>Total Current Assets</b>	<b>4,313</b>	<b>5,126</b>	<b>5,109</b>	<b>3,454</b>
<b>Total Assets</b>	<b>32,311</b>	<b>31,941</b>	<b>31,475</b>	<b>29,531</b>
<b>Equity</b>				
Equity Attributable to the Parent	8,764	10,021	11,262	12,659
Minority Interest	8	8	9	10
<b>Total Equity</b>	<b>8,771</b>	<b>10,029</b>	<b>11,271</b>	<b>12,669</b>
<b>Non-Current Liabilities</b>				
Borrowings	18,143	17,501	14,658	12,964
Fair Value of Interest Rate Swaps	1,408	1,056	704	352
Lease Liability, Provision for End of Service Benefits and Other Liabilities	294	294	294	294
<b>Total Non-Current Liabilities</b>	<b>19,844</b>	<b>18,850</b>	<b>15,655</b>	<b>13,609</b>
<b>Current Liabilities</b>				
Borrowings	1,707	1,213	2,843	1,694
Accounts Payables/Accruals & Due to Joint Ventures	1,404	1,411	1,413	1,413
Fair Value of Interest Rate Swaps and Lease Liability	584	438	292	146
<b>Total Current Liabilities</b>	<b>3,695</b>	<b>3,062</b>	<b>4,548</b>	<b>3,253</b>
<b>Equity and Liabilities</b>	<b>32,311</b>	<b>31,941</b>	<b>31,475</b>	<b>29,531</b>

Source: Bloomberg, QNB FS Research

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
<b>OUTPERFORM</b>	Greater than +20%	<b>R-1</b>	Significantly lower than average
<b>ACCUMULATE</b>	Between +10% to +20%	<b>R-2</b>	Lower than average
<b>MARKET PERFORM</b>	Between -10% to +10%	<b>R-3</b>	Medium / In-line with the average
<b>REDUCE</b>	Between -10% to -20%	<b>R-4</b>	Above average
<b>UNDERPERFORM</b>	Lower than -20%	<b>R-5</b>	Significantly above average

## Contacts

### Contacts

QNB Financial Services Co. W.L.L.  
 Contact Center: (+974) 4476 6666  
[info@qnbfs.com.qa](mailto:info@qnbfs.com.qa)  
 Doha, Qatar

Saugata Sarkar, CFA, CAIA  
 Head of Research  
[saugata.sarkar@qnbfs.com.qa](mailto:saugata.sarkar@qnbfs.com.qa)

Shahan Keushgerian  
 Senior Research Analyst  
[shahan.keushgerian@qnbfs.com.qa](mailto:shahan.keushgerian@qnbfs.com.qa)

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